

**FERRY TOWNSHIP, MICHIGAN**  
**FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY**  
**INFORMATION**

**For the Year Ended March 31, 2005**

Michigan Department of Treasury  
496 (2-04)

**MAR 16 2006**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Ferry Township</b>		County <b>Oceana</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>2/18/06</b>	Date Accountant Report Submitted to State: <b>3/14/06</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

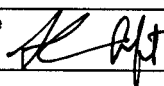
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Seber Tans, PLC</b>			
Street Address <b>555 W. Crosstown Parkway, Suite 304</b>	City <b>Kalamazoo</b>	State <b>MI</b>	ZIP <b>49008</b>
Accountant Signature 		Date <b>3/14/06</b>	

## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Governmental Fund and the Reconciliation to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities	10
Fiduciary Fund	
Statement of Fiduciary Net Assets	11
Notes to Financial Statements	12-19
Required Supplementary Information	
Budget Comparison Schedule – General Fund	20

# SEBER TANS, PLC

## CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Ferry Township, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Ferry Township (the Township) as of and for the year ended March 31, 2005, which collectively comprises the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ferry Township as of March 31, 2005 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SEBER TANS, PLC

Seber Tans, PLC  
Kalamazoo, Michigan

February 18, 2006

**FERRY TOWNSHIP, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended March 31, 2005**

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Our discussion and analysis of Ferry Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Township's financial activity, (c) identify changes in the Township's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), basic financial statements, notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. These statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township and present a longer-term view of the Township's finances.

The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Reporting the Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether the Township, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to other accounting methods used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the Township's net assets and changes in them. The reader can think of the Township's net assets (the difference between assets and liabilities) as one way to measure the Township's financial health or financial position. Over time, increases and decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating.

Reporting the Township's Major Fund

The fund financial statements provide detailed information about the Township's major funds. The Township currently has only one fund, the General Fund, in which all of the Township's activities are accounted for. The General Fund is a governmental type fund.

**FERRY TOWNSHIP, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended March 31, 2005**

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The fund financial statements focus on how money flows into and out of the General Fund and the balances left at year end that are available for spending. The fund financial statements are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The fund financial statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Fund financial statement information helps the reader to determine whether there are more or fewer financial resources that can be spent in the future to finance the Township's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Township as a Whole

This is the first year of implementation for GASB Statement No. 34 and as such a comparative analysis between years has not been presented, except for the change in capital assets. A comparative analysis will be presented in subsequent years.

The Township's net assets decreased approximately \$13,500 from \$603,084 to \$589,582 for the year ended March 31, 2005. The net assets and change in net assets are summarized below.

Restricted net assets are those net assets that have constraints placed on them by either (a) externally imposed by creditors, grantors, contributors, laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

Net assets at March 31, 2005 are as follows:

	<u>Governmental Activities</u>
Current and other assets	\$ 329,655
Net capital assets	344,892
Total assets	<u>\$ 674,547</u>
Current liabilities	\$ 28,686
Long-term liabilities	56,279
Total liabilities	<u>84,965</u>
Net assets	
Invested in capital assets, net of related debt	271,173
Restricted	318,409
Total net assets	<u>589,582</u>
Total liabilities and net assets	<u>\$ 674,547</u>

**FERRY TOWNSHIP, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended March 31, 2005**

Because this is the first year of implementation of GASB Statement No. 34, which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of Township data will be presented.

A summary of changes in net assets for the year ended March 31, 2005 follows:

	<u>Governmental Activities</u>
Revenues	
General revenue	\$ 164,821
Charges for services	<u>4,870</u>
Total revenue	169,691
Expenses	
General government	99,980
Public safety	54,750
Public works	20,354
Community and economic development	5,059
Interest on long-term debt	<u>3,050</u>
Total expenses	<u>183,193</u>
Decrease in net assets	<u>\$ (13,502)</u>

The Township's Governmental Fund

The Township's General Fund is used to control the expenditures. For the year ended March 31, 2005, the fund balance of the General Fund decreased \$1,666. Total operating revenues were \$166,990. Total expenditures were \$168,656.

Budgetary Highlights

Prior to the beginning of any year, the Township's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Township's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The original General Fund revenue budgeted for the year ended March 31, 2005 was \$173,077, which was \$6,087 less than the actual revenue received for the year. The original General Fund expenditures budgeted for the year ended March 31, 2005 were \$187,598, which was \$18,942 less than the actual expenditures for the year.

**FERRY TOWNSHIP, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended March 31, 2005**

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Capital Assets and Debt Administration

As of March 31, 2005, the Township had \$344,892 invested in capital assets as follows:

Capital assets not being depreciated	
Land	\$ 10,000
Capital assets being depreciated	
Buildings and improvements	68,950
Vehicles and equipment	420,073
Office equipment	3,541
	<u>492,564</u>
Total capital assets	502,564
Total accumulated depreciation	<u>(157,672)</u>
Net capital assets	<u>\$ 344,892</u>

As of March 31, 2005, the Township had long-term debt outstanding totaling \$73,719 related to purchase of a fire truck during the year ended March 31, 2004.

The Township had no major capital asset additions and incurred no new debt during the year ended March 31, 2005.

Economic Factors and Next Year's Budget

The Township Board considered many factors when setting the fiscal year 2005 budget. The Township derives approximately 55% and 32% of its revenues from State shared revenues and property taxes, respectively. These items were considered when adopting the budget for fiscal year 2006.

Contacting the Township's Financial Management

This financial report is designed to provide the monitoring public, citizens and other interested parties a general overview of the Township's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Ferry Township Clerk at 1670 E. Shelby Road, Shelby, Michigan, 49455.



**FERRY TOWNSHIP, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**March 31, 2005**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 210,033
Accounts receivable	50
Taxes receivable	9,696
Due from agency fund	109,876
Capital assets - net	344,892
<b>TOTAL ASSETS</b>	<u><u>\$ 674,547</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 10,000
Payroll liabilities payable	125
Accrued interest payable	1,121
Noncurrent liabilities	
Due within one year	17,440
Due in more than one year	56,279
<b>TOTAL LIABILITIES</b>	<u>84,965</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	271,173
Reserved	318,409
<b>TOTAL NET ASSETS</b>	<u><u>589,582</u></u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 674,547</u></u>

*See Notes to Financial Statements*

**FERRY TOWNSHIP, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Primary government			
Governmental activities:			
General government	\$ (99,980)	\$ 3,680	\$ (96,300)
Public safety	(54,750)	---	(54,750)
Public works	(20,354)	---	(20,354)
Community and economic development	(5,059)	1,190	(3,869)
Interest on long-term debt	(3,050)	---	(3,050)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ (183,193)</u></b>	<b><u>\$ 4,870</u></b>	<b><u>\$ (178,323)</u></b>
GENERAL REVENUES			
Property taxes			\$ 56,613
State shared revenue			93,655
Interest income			4,280
Miscellaneous			10,273
<b>TOTAL GENERAL REVENUES</b>			<b><u>164,821</u></b>
<b>DECREASE IN NET ASSETS</b>			<b>(13,502)</b>
Net assets at beginning of year			<u>603,084</u>
<b>NET ASSETS AT END OF YEAR</b>			<b><u>\$ 589,582</u></b>

*See Notes to Financial Statements*

**FERRY TOWNSHIP, MICHIGAN**  
**BALANCE SHEET – GOVERNMENTAL FUND AND THE RECONCILIATION TO**  
**THE STATEMENT OF NET ASSETS**  
**March 31, 2005**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 210,033
Accounts receivable	50
Due from agency fund	109,876
<b>TOTAL ASSETS</b>	<b><u>\$ 319,959</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 10,000
Payroll taxes payable	125
<b>TOTAL LIABILITIES</b>	<b><u>10,125</u></b>
<b>FUND BALANCE</b>	
Reserved	<u>309,834</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 319,959</u></b>
<b>Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Assets:</b>	
Total governmental fund balance	\$ 309,834
Amounts reported for governmental activities in the statement of net assets are difference because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	344,892
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(73,719)
Delinquent taxes receivable are not available to pay for current year expenditures and therefore are deferred in the funds and recognized as revenue in the statement of activities	9,696
Interest amounts on long-term liabilities are not payable until due in the funds	<u>(1,121)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 589,582</u></b>

*See Notes to Financial Statements*

**FERRY TOWNSHIP, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE – GOVERNMENTAL FUND**  
**For the Year Ended March 31, 2005**

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 53,912
Licenses and permits	1,190
Intergovernmental revenues	93,655
Charges for service	3,680
Interest	4,280
Miscellaneous	10,273
<b>TOTAL REVENUES</b>	<u>166,990</u>
<b>EXPENDITURES</b>	
Current	
General government	98,411
Public safety	25,896
Public works	19,148
Community and economic development	5,059
Debt service	20,142
<b>TOTAL EXPENDITURES</b>	<u>168,656</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(1,666)</b>
Fund balances at beginning of year	<u>311,500</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u><b>\$ 309,834</b></u>

*See Notes to Financial Statements*

**FERRY TOWNSHIP, MICHIGAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT**  
**OF ACTIVITIES**  
**For the Year Ended March 31, 2005**

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Net change in fund balance – governmental fund \$ (1,666)

Amounts are reported for governmental activities in the statement of activities  
are difference because:

Repayment of long-term debt is an expenditure in the governmental funds,  
but not in the statement of activities (where it reduces long-term debt) 16,836

Delinquent property taxes receivable are revenues in the statement of  
activities, but not in the governmental funds 2,701

Accrued interest is an expenditure in the statement of activities, but not in  
the governmental funds 256

Governmental funds report capital outlay as expenditures; in the statement  
of activities, these costs are allocated over their estimated useful lives as  
depreciation (31,629)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (13,502)**

**FERRY TOWNSHIP, MICHIGAN**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**March 31, 2005**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$      121,408</u>
<b>LIABILITIES</b>	
Due to other units of government	\$      11,532
Due to general fund	<u>109,876</u>
<b>TOTAL LIABILITIES</b>	<u>\$      121,408</u>

*See Notes to Financial Statements*

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

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**NOTE A – Summary of Significant Accounting Policies**

The accounting policies of Ferry Township, Michigan (the Township) are in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township was created as a general law Township under act of Legislature approved in 1846. A five member Township board consisting of a clerk, supervisor, treasurer and two trustees governs the Township. The Township provides fire protection, streets, public improvement, planning and zoning, and general administrative services.

As required by GAAP, these financial statements present the Township or primary government. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units based on applying the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-Wide Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

*Fund Based Statements*

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government.

Additionally, the Township reports the following fiduciary fund:

The tax collection agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is accounted for using the modified accrual basis of accounting. The tax collection agency fund is used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.



**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Amounts reported as program revenue include; (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Tax Revenue

The Township's tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by state statutes) located in the Township as of the preceding December 31<sup>st</sup>. Uncollected taxes are purchased by the County within 120 days following the close of the fiscal year of the tax levy. Uncollectible accounts are charged back to the Township by the County.

The Township is permitted to levy taxes up to \$1.25 and \$1.50 per \$1,000 of assessed valuation for general governmental services and fire protection, respectively. The Township assessed 2.4224 mills during 2005.

Assets, Liabilities, and Net Assets or Equity

*Cash and Investments*

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*Receivables and Payables*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

*Capital Assets*

Capital assets, which include property, buildings, equipment, vehicles and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Building, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles and equipment	5-15 years
Office equipment	5 years

*Long-Term Obligations*

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications

Comparative data is not included in the Township's financial statements.

Estimates

The preparation of financial statements in conformity with GAAP requires the Township's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE B - Stewardship, Compliance, and Accountability**

Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP and state law for the general fund. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Township's actual expenditures and budgeted expenditures for the fund budgeted have been shown on a functional basis. The approved budget of the Township for this budgeted fund was adopted on the line item level.

The Township did not have significant expenditure budget variances.

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

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**NOTE C – Cash and Investments**

Michigan Compiled Law authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for deposit of its funds. The investment policy adopted by the Township has authorized investments in bonds and securities of the United States government, bank accounts, and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Govern- Mental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$ 210,033</u>	<u>\$ 121,408</u>	<u>\$ 331,441</u>

Cash deposits and investments are classified according to credit risk to give an indication of the level of risk assumed by the Township at year end. The categories are described as follows:

Category 1: Insured or registered, or securities held by the Township or by its agent in the Township's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end, the Township's bank balance in cash deposits including checking, savings and certificates of deposit was \$314,830, all of which is reported as cash and cash equivalents. Of the bank balance, \$245,000 is covered by federal depository insurance and \$69,830 was uninsured and uncollateralized.

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

**NOTE D – Capital Assets**

Capital asset activity of the Township's governmental activities was as follows:

	Balance at April 1, 2004	Additions	Disposals	Balance at March 31, 2005
Capital assets not being depreciated:				
Land	\$ 10,000	\$ ---	\$ ---	\$ 10,000
Capital assets being depreciated:				
Buildings and improvements	68,950	---	---	68,950
Vehicles and equipment	420,073	---	---	420,073
Office equipment	3,541	---	---	3,541
	492,564	---	---	492,564
Less accumulated depreciation	(126,043)	(31,629)	---	(157,672)
Net capital assets being depreciated	366,521	(31,629)	---	334,892
Net capital assets total – net of accumulated depreciation	\$ 376,521	\$ (31,629)	\$ ---	\$ 344,892

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 1,569
Public safety	28,854
Public works	1,206
	<u>\$ 31,629</u>

**NOTE E – Interfund Receivables and Payables**

The composition of interfund balances at year end, are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Agency Fund	\$ 109,876

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

**NOTE F – Long-Term Debt**

Long-term obligation activity can be summarized as follows:

	Balance at April 1, 2004	Additions	Deductions	Balance at March 31, 2005
<b>GOVERNMENTAL ACTIVITIES</b>				
Note payable to a bank in annual installments of \$20,177, including interest at 3.65%, secured by certain vehicles and equipment	\$ 90,555	---	\$ (16,836)	\$ 73,719

Annual debt service requirements to maturity for debt obligations are as follows:

Payments due for years ending March 31:	Governmental Activities	
	Principal	Interest
2006	\$ 17,440	\$ 2,737
2007	18,087	2,090
2008	18,758	1,419
2009	19,434	743
<b>TOTAL</b>	<b>\$ 73,719</b>	<b>\$ 6,989</b>

The Township does not provide accumulated vacation and sick leave benefits, therefore, no accrual has been recorded.

**NOTE G – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township participates in a commercial insurance plan to mitigate these risks.

Settled claims related to the commercial insurance plan have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE H – Employee Retirement and Benefit System**

Plan Description

The Township participates in Municipal Retirement System, Inc. (a public employee retirement system), a defined contribution pension plan that covers all elected officials and employees who earn a minimum of \$450 per year. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

**FERRY TOWNSHIP, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2005**

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**NOTE H – Employee Retirement and Benefit System (Continued)**

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by approval of the Township Board. The funding policy provides for periodic employer contributions of 9% of the employee's annual compensation. Employees contribute 3% of their annual compensation with after-tax dollars.

Annual Pension Costs

For the year ended March 31, 2005, the Township's annual pension cost for the plan was equal to the required and actual contribution.

**NOTE I – Accounting and Reporting Change**

In June 1999, the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including notes to financial statements). The Township has elected not to retroactively report their infrastructure in the current year. Certain significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**NOTE J – Subsequent Event**

Subsequent to March 31, 2005, the Township entered into a contract to build a new town hall on existing property with an anticipated total cost of \$145,515.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FERRY TOWNSHIP, MICHIGAN**  
**BUDGET COMPARISON SCHEDULE – GENERAL FUND**  
**For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Fav (Unfav)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 61,443	\$ 61,443	\$ 53,912	\$ (7,531)
Licenses and permits	2,425	2,425	1,190	(1,235)
Intergovernmental revenues				
State shared revenues	99,981	99,981	93,655	(6,326)
Charges for services				
Internment	1,100	1,100	1,080	(20)
Otto Township	--	--	2,600	2,600
	<u>1,100</u>	<u>1,100</u>	<u>3,680</u>	<u>2,580</u>
Interest	3,075	3,075	4,280	1,205
Miscellaneous				
Ghost Town Days	3,271	3,271	3,829	558
Hall rental	1,150	1,150	1,130	(20)
Miscellaneous	632	632	5,314	4,682
	<u>5,053</u>	<u>5,053</u>	<u>10,273</u>	<u>5,220</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 173,077</u></b>	<b><u>\$ 173,077</u></b>	<b><u>\$ 166,990</u></b>	<b><u>\$ (6,087)</u></b>
<b>EXPENDITURES</b>				
General government				
Legislative	\$ 40,238	\$ 40,238	\$ 37,273	\$ 2,965
Supervisor	7,975	7,975	6,839	1,136
Elections	3,500	3,500	1,870	1,630
Assessor	18,900	18,900	16,461	2,439
Clerk	12,100	12,100	11,541	559
Board of review	1,125	1,125	783	342
Treasurer	13,100	13,100	11,294	1,806
Cemetery	9,640	9,640	6,669	2,971
Building and grounds	8,900	8,900	5,681	3,219
	<u>115,478</u>	<u>115,478</u>	<u>98,411</u>	<u>17,067</u>
Public Safety				
Fire	33,850	33,850	25,896	7,954
Public Works				
Roads	25,100	25,100	16,955	8,145
Street lights	2,500	2,500	2,193	307
	<u>27,600</u>	<u>27,600</u>	<u>19,148</u>	<u>8,452</u>
Community and economic development				
Planning commission	6,100	6,100	930	5,170
Zoning and planning	4,570	4,570	4,129	441
	<u>10,670</u>	<u>10,670</u>	<u>5,059</u>	<u>5,611</u>
Debt service				
Principal	---	---	16,836	(16,836)
Interest	---	---	3,306	(3,306)
	<u>---</u>	<u>---</u>	<u>20,142</u>	<u>(20,142)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 187,598</u></b>	<b><u>\$ 187,598</u></b>	<b><u>\$ 168,656</u></b>	<b><u>\$ 18,942</u></b>



# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED  
DEPT. OF TREASURY

MAR 16 2006

To the Township Board  
Ferry Township, Michigan

LOCAL AUDIT & FINANCE DIV.

In planning and performing our audit of the financial statements of Ferry Township, Michigan (the Township) for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, error or fraud may occur and not be detected by such controls.

#### Lack of Segregation of Duties

The Township does not have enough accounting personnel to provide for adequate segregation of duties.

#### General Ledger

Complete financial activity of the Township is not being recorded in one general ledger.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the 2005 financial statements, and this report does not affect our report on those financial statements dated February 18, 2006. We have not considered the internal control since the date of our report.

This report is intended solely for the information and use of the Township Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

SEBER TANS, PLC

Seber Tans, PLC

February 18, 2006